

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 5108

INFO AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

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AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: EFIN, ECON, HU

SUBJ: HUNGARIAN FOREIGN EXCHANGE RATE REALIGNMENT

REF: BUDAPEST 0024

1. JANUARY 23 ECONOFF DISCUSSED FOREIGN EXCHANGE REALIGNMENT REPORTED REFTEL WITH SENIOR HUNGARIAN BANK OFFICIAL, WHO CLARIFIED SEVERAL QUESTIONS CONCERNING JANUARY 1 EXCHANGE RATE CHANGES.

2. PARA 2 REFTEL NOTES THAT FOREIGN TRADE MULTIPLIER (COMMERCIAL RATE) NOW HAS BUYING AND SELLING QUOTATIONS. BOTH BUYING AND SELLING RATES EXISTED PREVIOUSLY, BUT
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SINCE FOREIGN TRADE MULTIPLIER RATES WERE NEVER PUBLISHED

UNTIL JANUARY 1, 1976, DETAILS OF HOW THEY WORKED WERE NOT WIDELY KNOWN.

3. PRIOR TO JANUARY 1, 1976 HUNGARY MAINTAINED SEPARATE RATES FOR "TRANSFERABLE" AND CLEARING RUBLES. RATE FOR CLEARING RUBLE WAS 33 FORINTS PER RUBLE, FOR "TRANSFERABLE" RUBLE 40 FORINTS PER RUBLE. THUS, WHILE FORINT DEVALUED (REFTEL) AGAINST CLEARING RUBLE (USED FOR RUBLE TRADE WITH NON-CEMA COUNTRIES SUCH AS NORTH KOREA AND NORTH VIETNAM), MAGYARS REVALUED REPEAT REVALUED TWELVE AND ONE-HALF PERCENT VIS-A-VISA MORE IMPORTANT "TRANSFERABLE" RUBLE. PRESENT IDENTICAL RATE FOR "TRANSFERABLE" AND CLEARING RUBLE SHOULD MAKE IT SIMPLER FOR ALL.

4. ECONOFF NOTED THAT COMMERCIAL RATE IS NOW EXACTLY DOUBLE NON-COMMERCIAL RATE FOR ALL CONVERTIBLE CURRENCIES. BANK OFFICIAL ADMITTED THERE WAS LITTLE LOGIC TO SUCH A SYSTEM, AND SAID THAT IN PAST GOH AUTHORITIES HAD WAVERED UNDER PRESSURE BY THOSE ENTERPRISES CARRYING ON FOREIGN TRADE TO TRANT MORE FAVORABLE "COMMERCIAL" RATES FROM TIME TO TIME. HE SAID THAT IN FUTURE 2 TO 1 RATIO WILL BE MAINTAINED.
MCAULIFFE

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